



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 3, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **LOS ANGELES UNIFIED SCHOOL DISTRICT CONTRACT REVIEW –
A DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a contract compliance review of Los Angeles Unified School District (LAUSD or District), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with LAUSD, an educational organization to provide services to clients in Service Planning Area 6. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The District's headquarters is located in the First District.

Our review focused on approved Medi-Cal billings. DMH paid LAUSD between \$1.95 and \$4.66 per minute of staff time (\$117.00 to \$279.60 per hour) for services. DMH paid LAUSD on a fee-for-service basis approximately \$2.8 million for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether LAUSD complied with its contract terms and appropriately accounted for and spent DMH funds providing the services outlined in their County contract. We also evaluated the adequacy of the District's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the District's staff and clients.

Results of Review

LAUSD staff possessed the appropriate qualifications to provide the services billed. However, the District did not provide documentation to support 897 (22%) of the 4,030 service minutes sampled. The amount of undocumented expenditures totaled \$1,777. In addition, the District did not always complete Assessments, Client Plans, Progress Notes and Informed Consent in accordance with the County contract requirements.

LAUSD did not provide documentation to support their payroll expenditures. According to LAUSD, the documentation was not available due to problems with their new automated accounting system. LAUSD also did not have a Cost Allocation Plan or appropriately allocate shared expenditures to the benefitting programs.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with LAUSD on August 13, 2008. In their attached response, the District describes the corrective actions they have taken or plan to take to address the recommendations in our report. LAUSD also reimbursed DMH the \$1,777.

We thank LAUSD management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
David L. Brewer III, Superintendent of Schools, LAUSD
Peter D. Dale, Director of Contract Administration, LAUSD
Jefferson Crain, Executive Officer of the Board, LAUSD
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
CONTRACT COMPLIANCE REVIEW
LOS ANGELES UNIFIED SCHOOL DISTRICT
FISCAL YEAR 2007-08**

BILLED SERVICES

Objective

Determine whether Los Angeles Unified School District (LAUSD or District) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 40 billings totaling 4,030 minutes from 176,256 service minutes of approved Medi-Cal billings for September and October 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' chart for the selected billings. The 4,030 minutes represent services provided to 25 program participants.

Results

LAUSD did not provide documentation to support 897 (22%) of the 4,030 minutes sampled. Specifically, the service minutes billed exceeded the duration of service indicated in the Progress Notes provided for three (8%) of the forty billings sampled. District management indicated that data entry errors by clerical staff caused the over billings. The amount over billed totaled \$1,777. In addition, the District did not always complete Assessments, Client Plans, Progress Notes and Informed Consent in accordance with the County contract requirements.

Assessments

The Assessments did not contain the clinical content necessary to support the diagnosis in accordance with the County contract for two (8%) of 25 clients sampled. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires the District to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

Client Care Plans

LAUSD did not complete the Client Care Plans in accordance with the County contract for two (8%) of 25 clients sampled. Specifically, the two Client Care Plans contained goals that were not observable and/or quantifiable.

Progress Notes

The District did not complete one of (20%) five Progress Notes reviewed for Medication Support in accordance with the County Contract. Specifically, the note reviewed did not indicate that the client was questioned about side effects, response to medication and medication compliance.

Informed Consent

LAUSD did not maintain current Informed Consent forms in the clients' charts for two (50%) of four clients sampled, in which the client received treatment with psychotropic medication. The District requires staff to obtain Informed Consent on an annual basis. However, Informed Consent forms had not been updated in over six years for the two clients. The Informed Consent form documents the clients' agreement to a proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks.

Recommendations**LAUSD management:**

1. **Repay DMH \$1,777.**
2. **Ensure that service minutes are accurately billed.**
3. **Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**
4. **Ensure that Informed Consent is obtained and documented in the client's chart on an annual basis.**

STAFFING LEVELS**Objective**

Determine whether the District maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the District does not provide services that require compliance with staffing ratios for this particular funding program.

STAFFING QUALIFICATIONS**Objective**

Determine whether LAUSD treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 21 (17%) of the 124 LAUSD treatment staff who provided services to DMH clients during September and October 2007.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the District's financial records and deposited timely in their bank account. In addition, determine whether the District maintained adequate controls over DMH cash and revenue.

Verification

We interviewed LAUSD's management and reviewed the District's financial records.

Results

LAUSD properly recorded and deposited cash timely. However, the District did not perform timely bank reconciliations. Specifically, at the time of our review in February 2008, the most recent bank reconciliation completed by the District was for June 2007.

Recommendation

5. LAUSD management perform timely bank reconciliations each month.

COST ALLOCATION PLAN

Objective

Determine whether LAUSD's Cost Allocation Plan is prepared in compliance with the County contract, and the District used the Plan to allocate shared program expenditures appropriately.

Verification

We reviewed the LAUSD's Cost Allocation Plan, interviewed management and reviewed documentation to ensure that the expenditures were properly allocated to the District's programs.

Results

LAUSD did not have a written Cost Allocation Plan. The District billed DMH for 100% of the non-payroll expenditures at their School Mental Health Clinic during FY 2006-07 even though the Clinic also served non-DMH clients. District management could not explain why they did not allocate their non-payroll costs.

In addition, the District billed DMH for budgeted payroll costs rather than actual amounts, as required by the contract. District management indicated that they could not determine their actual salary costs because their new accounting system would not generate payroll expenditure reports.

The District reported program expenditures totaling \$5.4 million on their Cost Report. However, DMH paid them the maximum amount allowed of \$2.8 million for the level services they provided. Therefore, the allocation issues identified may not have resulted in over billing DMH.

Recommendations

LAUSD management:

- 6. Resolve problems with their new accounting system that prevent them from obtaining payroll expenditure reports.**
- 7. Develop a detailed and equitable Cost Allocation Plan based on actual data and allocate costs in accordance with the Plan.**
- 8. Allocate shared program costs for FY 2006-07 in accordance with the Plan, submit a revised Cost Report to DMH and repay DMH for any over paid amounts.**

EXPENDITURES

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed to DMH.

As stated above, the District allocated 100% of their School Mental Health Clinic non-payroll expenditures to DMH during FY 2006-07. Refer to the Cost Allocation Plan section.

FIXED ASSET AND EQUIPMENT

Objective

Determine whether fixed asset depreciation costs charged to DMH and the Wraparound programs were allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this area, as the District did not charge DMH for fixed asset expenditures during Fiscal Year (FY) 2006-07.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the DMH program.

As stated above, LAUSD could not provide a record of their payroll expenditures. Therefore, we did not perform test work in this section. Refer to the Cost Allocation Plan section.

COST REPORT

Objective

Determine whether LAUSD's Cost Report reconciles to the District's financial records.

Verification

We interviewed management and traced the District's FY 2006-07 Cost Report to the District's DMH expenditures in their accounting records.

Results

LAUSD's total non-payroll costs agreed with their accounting records. However, LAUSD could not provide the documentation to support the payroll expenditures indicated on the Cost Report.

Recommendation

See Recommendation 6.



LOS ANGELES UNIFIED SCHOOL DISTRICT

STUDENT HEALTH AND HUMAN SERVICES DIVISION

School Mental Health/Suicide Prevention

333 South Beaudry Avenue, 29th Floor

Los Angeles, CA 90017

Telephone: (213) 241-3841

Fax: (213) 241-3305

Attachment

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Ramon C. Cortines
Superintendent of Schools

Judy Elliott
Chief Academic Officer
Office of Curriculum, Instruction,
and School Support

René Gonzalez
Assistant Superintendent
Student Health and Human Services

Gil Palacio
Director
School Mental Health

January 20, 2009

Ms. Wendy Watanabe
Acting Auditor-Controller
500 W. Temple Street, Room 525
Los Angeles, CA 90012

Dear Ms. Watanabe,

I would like to take this opportunity to thank you and the Los Angeles County team of auditors for the recent audit of DMH Medical reimbursement. Your advice, comments, and notes in the Audit Report regarding the cost allocation and costing of direct expenditures of the program are also very helpful and will use as a guide for future references.

In compliance with the audit report by the County of Los Angeles Department of Auditor-Controller, the following is a summary of our review and responses:

Recommendations and Findings:

1. Repay DMH \$1,777.

The repayment of \$1,777.00 that represent overbilled to DMH will be made thru offsetting from the monthly reimbursement of claim or during final settlement.

2. Ensure that service minutes are accurately billed.

The lead data entry person has been designated to complete a **monthly reconciliation** report by checking every 10th claim against the UOS logs and the progress note. Also, data entry staff will check randomly for inconsistencies and unusual amounts billed on the monthly reports and forward any unusual or excessively large amount billed to the administrator of their team for verification. Data entry staff has received training and will continue to have refresher training as needed. A new LAUSD-Welligent billing system is currently under construction and will be operational soon. This new system will also help to eliminate this type of data entry billing error.

3. Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.

4. **Ensure that Informed Consent is obtained and documented in the client's chart on an annual basis.**

The Medical Staff has received additional training from the lead Psychiatrist regarding medication protocols and required documentation. The team Leader/Supervisor will more closely monitor the medication section in collaboration with the Psychiatrist. The QIC/QA team will review all medication charts every six months as a part of the internal audit.

5. **Ensure that monthly bank reconciliations are performed timely.**

Bank reconciliations are now conducted monthly

6. **Develop a detailed and equitable Cost Allocation Plan based on actual data and allocate costs in accordance with the plan.**

We will be meeting with Simpson and Simpson CPA's and Los Angeles Unified School District Accounting, Payroll and Budget Services. The objective is to develop a detailed and equitable cost allocation plan based on actual data.

DMH direct expenses are specifically identifiable and directly expensed to the program such as salaries and fringe benefits, employees hours that work in more than one program, shared their tracked hours to the cost allocation.

7. **Submit a revised Cost Report to DMH and repay DMH for any over paid amounts.**

The cost report unit of Los Angeles County will process the revised cost report and any overpayment will be process thru offsetting from monthly reimbursement or final settlement.

8. **Resolve problems with their new accounting system that prevent them from obtaining payroll expenditure reports.**

This item will be included in our plan identified in item #6 above in hopes of meeting audit requirements.

With the implementation of the new BTS computer system, information will be integrated for Payroll, Accounting and Budget Branch for more efficient and accurate record of expenditure in the near future (December 2009).

With these efforts and the continued diligence of management/supervisory staff, we expect that this will correct the noted problems and concerns of this audit review.

Sincerely,



Gil Palacio, Director
School Mental Health Services
Los Angeles Unified School District

C: Greg Hellmold